



Tennessee State Board of Accountancy  
Department of Commerce and Insurance

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## MEETING MINUTES

April 28, 2006

The meeting of the Tennessee State Board of Accountancy convened in the Davy Crockett Tower, Nashville, Tennessee on Friday, April 28, 2006, at 8:30 a.m.

Members present were Doug Warren, Chairman; Kenneth Cozart, Vice-Chair; Max Haught, Secretary; William Underwood, Stanley Sawyer, Joseph Buffler, Robert Davidson, Vic Alexander, Charles K. Grant and Al Creswell.

Also present were Linda Biek, Executive Director; Stacey Grooms, Staff Counsel; Leona Johnson, Administrative Assistant; Mark Crocker, Investigator; Ethel Mims, Administrative Assistant I; Meredith Sullivan, Assistant Commissioner; Wendy Garvin, Peer Review Coordinator of the TSCPA; Roger Johnson, Peer Review Committee member of the TSCPA; Yordanos Dumez & Alana Hartely, NASBA representatives; and Sidney Johnson, CPA.

Doug Warren called the meeting to order at 8:30 a.m. and ask for a moment of prayer. Mr. Warren welcomed the board members and visitors. Mr. Warren announced that the visitors would be giving a presentation and Sidney Johnson would appear before the Board as he was instructed to do at the October board meeting.

Mr. Warren introduced Stacey Grooms, the new counsel for the Tennessee State Board of Accountancy.

Mr. Warren asked if there were any items on the Consent Agenda (copy attached) that anyone wanted removed for discussion. Max Haught requested that the Audit Committee Charter be removed for discussion. There being no other requests, Joseph Buffler made a motion to approve the Consent Agenda as amended. Kenneth Cozart seconded the motion; it was voted on and approved.

Linda Biek presented the Executive Director's (E.D.) Report: (copy attached)

- 1) Ms. Biek announced the following board meeting dates, asking board members to keep the Thursday before the board meetings open for committee meetings:  
October 27, 2006                      July 28, 2006  
January 12, 2007
- 2) California practice privilege vs Tennessee practice privilege. Robert Davidson made a motion to change our policy pertaining to expert witness in Tennessee. The new policy should read that "practitioners from other states shall be allowed to file notification and pay the notification fee to provide expert witness testimony in Tennessee". Bill Underwood seconded the motion; it was voted on and approved.
- 3) AICPA exam scoring errors. Bill Underwood made a motion to write a letter expressing our concern and recommend they consider eliminating simulations until they can be accurately graded. Stanley Sawyer seconded the motion; it was voted on and passed.
- 4) Would the Board like to change it's position regarding sending a letter in support of considering another vendor for the CPA exam? The Board agreed to stay neutral at this time.
- 5) How should E.D. handle board nomination letters requesting our support? The Board agreed that the E.D. should e-mail or forward the information to the individual board members and they will respond individually if they are in support of the nominee.

Since the terms for the Executive Committee expire before the next board meeting, Ms. Biek requested the board members place their vote for Chair, Vice-chair and Secretary and forward the ballots to her.

Ms. Biek presented certificates of service to four board members whose term will expire on June 30, 2006; Doug Warren, Kenneth Cozart, Robert Davidson and Charles Grant. She thanked them for their service.

Ms. Biek introduced Wendy Garvin and Roger Johnson from the TSCPA. Ms. Garvin and Mr. Johnson gave a presentation of the TSCPA Peer Review Program and answered questions from the board. (copy attached) At the conclusion, Mr. Warren thanked them for the presentation.

#### BREAK

Doug Warren welcomed Sydney Johnson and gave a brief summary regarding his appearance before the Board. He informed the board members that Mr. Johnson has submitted his CPE report and that the staff was reviewing it at this time. Mr. Johnson thanked the Board for letting him reappear and gave a summary of his actions since the October, 2005 board meeting. After a brief question and answer session Joseph Buffler made a motion to reinstate Mr. Johnson's CPA certificate. Vic Alexander seconded the motion; it was voted on and approved. Mr. Johnson thanked the Board.

Mr. Warren introduced Yordanos Dumez. Ms. Dumez and her assistant Ms. Hartely gave a presentation of NASBA's CPE Tracking program. A brief question and answer session took place. Ms. Dumez thanked the Board for allowing her the opportunity to present the CPA tracking program.

Stacey Grooms presented the Attorney's Report:

- Ms. Grooms reported that the Formal Hearing scheduled for today was settled via teleconference on April 26, 2006. She informed the Board that the settlement agreement signed by the respondent is here today, ready to be signed by the Board Chair. Mr. Warren signed the agreement. Ms. Grooms will file the agreement with the Administrative Procedures department today.

Doug Warren asked the board members to review the minutes of the teleconferences and he will entertain a motion to approve them. Joseph Buffler made a motion to approve the minutes from the April 19<sup>th</sup> and the April 26<sup>th</sup> teleconferences. Charles Grant seconded the motion; it was voted on and approved.

Robert Davidson addressed the Board regarding teleconferences. Mr. Davidson discussed the process for complaints and made the following suggestions to improve the process.

- Turn this matter over to the District Attorney's office for possible prosecution.
- Train the staff and attorney to be better equipped to handle these types of situations.
- Appoint a panel to investigate the teleconference case and recommend changes in procedures to expedite cases.
- Submit concern to the peer review committee to check into the reviewer involved in this case.
- Develop guidelines for recused board members.
- Make a recommendation for conduct by the respective parties during teleconferences/conferences.

#### LUNCH

Doug Warren also suggests the Board get information to clarify:

- The guidelines for recused board members
- If a recused board member can participate as an expert in a case
- The steps to take to get this matter to the District Attorney's office
- If the PROC can look into the reviewer involved in the aforementioned case.

After much discussion Robert Davidson made a motion for Stacey Grooms to hand deliver a copy of the settlement agreement order from the teleconference case to the Contractor's Board after the meeting. Joseph Buffler seconded the motion; it was voted on and approved.

Ms. Biek briefly commented on giving Ms. Grooms "settlement authority" to expedite settlement of cases without having to conduct teleconferences.

Stanley Sawyer presented the Probable Cause Committee report: (copy attached)

- 1) Committee Members reviewed 47 cases as presented by Ms. Grooms. Cases 1-44 were discussed and approved by the Committee as written. Vic Alexander made a motion to approve cases number 1-44 as written. Bill Underwood seconded the motion; it was voted on and approved. Case #45 - An informal hearing was held on April 27, 2006. In addition to the written recommendation, a civil penalty of \$100 per deficiency + \$1000 for failure to cooperate was imposed for a total of \$2500. Vic Alexander made a motion to approve the amended recommendation. Robert Davidson seconded the motion; it was voted on and approved. Case #46 - Close case and flag file. If individual applies for reinstatement, fees and penalties must be paid. Bill Underwood made a motion to approve the recommendation. Robert Davidson seconded the motion; it was voted on and approved. Case #47 - Amend current Consent Order changing to include a (1) one year suspension with a \$2000 civil penalty or a (2) two year suspension with a \$1000 civil penalty. Vic Alexander made a motion to approve the recommendation. Bill Underwood seconded the motion; it was voted on and approved.

Max Hought presented the Finance and Administrative Committee Report: (copy attached)

- 1) Board revenue and expenses have been reviewed and are projected to be in line with the annual budget.
- 2) Short and Long Term Goal consideration:
  - a) Resolution of the outstanding lawsuit
  - b) Establish scholarship program – Not viable at this time, put on back burner
  - c) Consider developing an annual SWOT analysis
  - d) Hold biennial retreats – make this a policy; for new board member information and to refresh current board members
  - e) Print new law and rule books - try to budget for next year
  - f) Develop procedures to provide answers to questions from the public – review and update Q & A on website
  - g) Board meeting procedures – develop guidance regarding timing to get minutes complete, when to cut off adding anything new to the meeting agenda and reducing minutes to resolution items with committee reports presented as an attachment
  - h) Develop strategic plan – Board supports having a Vandy graduate student doing this for free
  - i) Independence status – evaluate benefits and the disadvantages of taking the Board to an independent status – the Executive Committee will investigate this topic
  - j) Stabilize revenue and expenses – Done
  - k) Develop legislative agenda annually – coordinate with the TSCPA
  - l) Financial expense charge backs – it is hard to budget because we do not know the amount until the year end; we are working towards getting these charges on a quarterly basis
- 3) Policy Manual – sections will be distributed to board members and committees to review and revise. These will be discussed and voted on at the next board meeting.

Ken Cozart presented the Licensing Committee Report: (copy attached)

- 1) Approved 7 Tennessee Exempt Organization (TEO) applications.
- 2) NASBA has issued a new and expanded list of fields of study for CPE courses. The Committee is trying to figure out where the Board's fields of study fit into these expanded fields. Specialized Knowledge is an especially difficult field to determine if courses in this category should be considered technical or non-technical. The Committee will be doing more research on this and will report back to the Board at the next meeting.

- 3) The Committee researched how the on-line renewals will affect the CPE reporting. The on-line renewal process will not include a summary list of CPE courses, just a total number of hours. Discussion was held regarding strengthening the CPE audit program and increasing penalties for violations/falsifying CPE. Vic Alexander made a motion to adopt accepting a total number of hours for on-line renewals. Robert Davidson seconded the motion; it was voted on and approved.
- 4) Ethics CPE: this is still under review and will be discussed at the next board meeting. Doug Warren informed the Board that the TSCPA ethics program is in the final stages. The Oregon Ethic course is generic; anyone anywhere can take it. Ethics is not law and rules; obedience is law and rules. The Board needs to determine if it wants the law and rules included in the CPE class requirement?
- 5) Board policies have already been covered.
- 6) Eighteen (18) month CPA exam extension for military personnel called to service. Joseph Buffler made a motion for the Board to adopt a policy. The policy states that "individuals called to military service to receive an automatic extension for any foreign military service for as long as the individual is out of the country". Kenneth Cozart seconded the motion; it was voted on and approved.
- 7) The Board has issued 138 new CPA certificates whose experience and other qualifications have been approved by the Board's staff; 14 of these files have been randomly audited by the Committee Members and are in compliance.

Bill Underwood presented the Peer Review Committee Report: (copy attached)

Mr. Underwood informed the Board that Wendy Garvin of the TSCPA and PROC member Charles Millsaps attended the committee meeting.

- 1) Fifty-eight (58) new firms have registered since the last board meeting. The Committee did a spot audit of eight (8) of these firms, which were all in compliance with the law and rules for registration. Mr. Underwood motioned to ratify the approval of the 58 new firms. The motion was voted on and approved.
- 2) Four hundred seventy eight (478) firms were due to have a peer review in 2005; of those, 474 firms have scheduled or completed their review. There are 4 firms that have not responded to the peer review notices and have been sent to the Probable Cause Committee.
- 3) Twenty-two (22) approved reviews are due to complete the CPE update course for peer review this year.
- 4) The Committee has approved an Operating Agreement between the State Board and the TSCPA in regards to peer review information being sent to the Board directly from the TSCPA. Mary Moody has ruled that there is no conflict of interest. Pending one change, the agreement will be ready to be signed.
- 5) The peer review list for 2006 has been requested by the Firm Coordinator; notices should be mailed by May 15<sup>th</sup>.
- 6) The peer review manual and forms will now be available on the website and will not be mailed; this is an attempt to reduce costs.
- 7) The Committee approved a request from a firm for a 60 day extension to bring the firm's name into compliance; the company has an Arkansas CPA who needs to file for their TN reciprocal CPA.
- 8) The Committee recommends the approval of a policy to delegate approval of firm names to the Executive Director and the Firm Permit Coordinator. Max Haught requests that the policy include that firm names of question/gray area be directed to the Executive Committee for approval. Robert Davidson made a motion to amend the current policy to read "Fictitious firm names shall be reviewed by the Executive Director (E.D.) and the Firm Permit Coordinator (F.P.C.). Fictitious firm names that comply with all of the items on the Fictitious Firm Name Checklist will be approved. Both the E.D. and F.P.C. must agree and sign the Fictitious Firm Name Checklist. Any firm names that both parties do not agree on should be directed to the Executive Committee for review." Max Haught seconded the motion; it was voted on and approved.

Old Business:

Ms. Biek assigned the following sections of the Policy Manual to individuals and board members:

Section #1 CPA Exam -- Joseph Buffler  
Section #2 CPE - Kenneth Cozart  
Section #3 Definition of Accountancy - Doug Warren  
Section #4 & #5 Enforcement - Stanley Sawyer  
Section #6 Experience - Bill Underwood  
Section #7 Reciprocity - Linda Biek  
Section #8 Registered Firms - Bill Underwood  
Section #10 Other – Terry Jeter-McAvoy

Ms. Biek asked that such revised policies be presented to the Board for adoption at the July meeting.

Audit Committee Charter: The written charter was reviewed and the June deadline was taken into consideration. After much discussion Robert Davidson made a motion to accept the initial version of the charter subject to revision as required. Max Haught seconded the motion; it was voted on and passed

New Business:

Ms. Biek announced that the new officers beginning July 1<sup>st</sup> will be Doug Warren (Chair), Kenneth Cozart (Vice-Chair) and Stanley Sawyer (Secretary).

There being no further business to come before the Board, Bill Underwood motioned to adjourn the meeting.

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CHAIRMAN

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SECRETARY

Copies attached:

- Board Meeting Agenda
- Consent agenda
- Executive Director's Report
- TSCPA Peer Review Presentation worksheet
- Probable Cause Committee Report
- Finance & Administrative Committee Report
- Licensing Committee Report
- Peer Review Committee Report
- Old Business Documentation:      Audit Committee Charter